

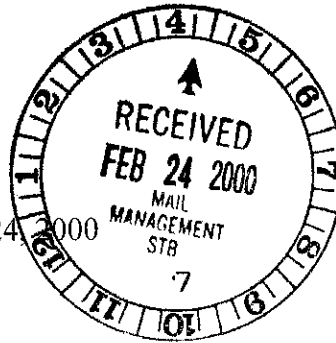
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February 24, 2000



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VIA COURIER

Mr. Vernon A. Williams, Secretary
Office of the Secretary
Surface Transportation Board
1925 K Street, N.W., Room 711
Washington, DC 20423-0001

**RE: EX PARTE NO. 582
PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS**

Dear Secretary Williams:

In accordance with the Notice of Public Hearing and Request for Comments served January 24, 2000, regarding the above-referenced proceeding, please find enclosed the National Customs Brokers and Forwarders Association of American, Inc. ("NCBFAA") comments regarding the same.

In accordance with the requirements of the Notice of Public Hearing and Request for Comments, we have enclosed an original and eleven (11) copies of NCBFAA's comments and have also enclosed a 3.5-inch disc containing the comments. We would appreciate your date-stamping the additional copy of this notice, so that our files can properly reflect the filing.

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Mr. Vernon A. Williams
February 24, 2000
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Should you have any questions concerning this, please do not hesitate to contact us.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Ed Greenberg', with a large, sweeping flourish extending to the right.

Edward D. Greenberg
Transportation Counsel for the
National Customs Forwarders and Brokers
Association of America, Inc.

EDG/gmr
Enclosures

cc: Mr. Peter H. Powell, Sr.
Mr. Jon Kent

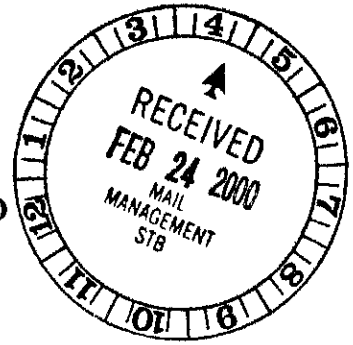
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SURFACE TRANSPORTATION BOARD

STB EX PARTE NO. 582



PUBLIC VIEWS ON MAJOR RAIL CONSOLIDATIONS

**COMMENTS OF THE NATIONAL CUSTOMS BROKERS AND
FORWARDERS ASSOCIATION OF AMERICA, INC.**

The National Customs Brokers and Forwarders Association of American, Inc. ("NCBFAA"), together with its thirty affiliated local associations, is pleased to submit its comments concerning the significant issues raised by the Board's notice in this proceeding issued on January 24, 2000.

The NCBFAA, is the trade association representing the third-party intermediaries who are involved in handling approximately 90% of the international trade that moves into and out of the United States. These intermediaries are generally referred to as ocean freight forwarders, non-vessel operating common carriers and customhouse brokers, and are deeply involved in all facets of international transportation and logistic supply chains. And, as a substantial amount of the international trade moving through U.S. ports and across its northern and southern borders is carried via railroad, these intermediaries - - and their customers, who are the ultimate shippers and receivers of freight - - are directly affected by the operations of the nation's railroads.

In that regard, if there are problems with the efficient movement of these international cargos, the members of the NCBFAA are the first to hear about the problems from the shippers and receivers of this freight. They are the ones who are responsible for working with the

railroads and other carriers to trace the whereabouts of the cargo. If there are serious disruptions in railroad service, it falls to the members of the NCBFAA to find ways to route around problems so that the nation's goods can continue to move and so that cargo can arrive at the ports in time to be loaded aboard vessels for which it has been booked.

At this point, the NCBFAA has not formed an opinion about whether it believes that the possible merger of the BNSF and Canadian National would be in the public interest.

Nevertheless, the NCBFAA does suggest that the Board keep several issues in mind if and when a merger application is actually filed.

First, the Board does not need the NCBFAA to remind it of the significant problems that have arisen in the most recent rail consolidations. And, while operations have tended to return to some sort of normalcy at least on the Union Pacific system, it seems plain that neither CSX nor Norfolk Southern have yet completed digesting their respective pieces of the Conrail system. And, even as to Union Pacific it seems evident that the benefits promised the shipping public of a seamless, integrated rail transportation system have simply not materialized. Consequently, the NCBFAA would urge the Board to require prospective merger applicants to provide a far more persuasive showing of their ability to integrate their respective informational and operational systems before granting any future application. It is certainly easier and far more prudent to require an up-front definitive showing that all relevant issues have been resolved prior to approval than to attempt to cure the types of problems that have been arising once the parties have consummated the transaction.

Second, the NCBFAA is concerned about the possibility of reactive applications following any BNSF/CN transaction. The remaining Class I railroads - - including Union Pacific, CSX and Norfolk Southern - - are now finding themselves in a relatively poor cash position resulting in large part from the prices paid for their recent transactions. The NCBFAA believes that the Board has the responsibility under the statute to be satisfied that the merging parties have sufficient capital and resources to invest in the necessary infrastructure. In the past, many of the railroad "savings" supposedly resulting from mergers have been attributable to the rationalization of their track structures. This "benefit" has little value to the shipping public and it appears clear, at least from the UP/SP and Conrail transactions, that more investment in railroad facilities, not less, is required. Consequently, the NCBFAA urges the Board to require future merging parties to come forward with specific commitments that will demonstrate whether their long-term capital investment programs will be sufficient to adequately serve the shipping public.

Third, the NCBFAA believes that it is time for the Board to implement a paradigm shift concerning how it views rail competition issues. While it is often useful for railroads to be able to offer extended single line service to shippers, this should be truly a benefit to shippers rather than the mandated outcome of a merger. In other words, if a merged BNSF/CN is able to effectively market its services so as to persuade western exporters to route traffic over its single line through the port of Halifax, for example, the merged company would appear to be providing a reasonable service at competitive rates. However, if the merged company treats the eastern carriers as non-friendly connections and refuses to enter into joint rates or otherwise constructs

obstacles to continuing or developing alternative routings to eastern ports, the shippers lose valuable routing options and no one benefits except the shareholders of the merged company.

This loss of routing options is a significant issue for the NCBFAA and, ultimately of course, the vast majority of the nation's importers and exporters. Shippers elect to use certain ports and steamship lines, as well as railroads, for a wide variety of reasons. Although this may include rates, it also depends on service commitments, the port rotations of the steamship lines, the nationality of the steamship line and a host of other issues that have little or nothing to do with the identity of a railroad and whether it has elected to acquire some other railroad. Giving a railroad the ability to interfere with these logistical considerations of international shippers simply because it allegedly should be entitled to force all traffic over its longest haul would be impossibly disruptive of international shipping patterns and practices.

History conclusively demonstrates that railroads can provide efficient service and reasonable levels when they are required to compete. Artificially treating traffic that can be served by a merged company as "captive", however, virtually guarantees that any impetus for efficiency and innovation for that traffic will disappear. Accordingly, while the NCBFAA does not request that the Board restore the old so-called "DT&I" conditions, it does urge the Board to require that routing alternatives exist between the eastern and western carriers today are not lost in any transcontinental merger.

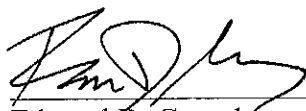
This issue should not be left to the vagaries of whether complaining shippers are sufficiently distressed to bear the cost and trouble of proceeding under the Board's Intermodal Rail Competition Rules in 49 C.F.R. Part 1144. The experience of the Board, generally, and of the parties in Ex Parte 575, demonstrates that those procedures are fundamentally unworkable.

The Board, however, can protect against the typical traffic-capturing responses of the few remaining merging carriers by requiring them to show cause in advance why routings are inefficient before canceling or otherwise refusing to participate in connections with other railroads.

In closing, the NCBFAA thanks the Board for giving it the opportunity express its views in this proceeding.

Respectfully submitted,

NATIONAL CUSTOMS BROKERS &
FORWARDERS OF AMERICA, INC.

By: 
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DATED: February 24, 2000